

Village of Dixie Inn, Louisiana

Financial Statements

As of and for the Year Ended June 30, 2014

Village of Dixie Inn, Louisiana

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Independent Auditors' Report

Village of Dixie Inn
Dixie Inn, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Dixie Inn, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Dixie Inn, Louisiana, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 - 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Dixie Inn's basic financial statements. The other supplementary information listed in the table of contents and shown on page 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2015, on our consideration of the Village of Dixie Inn, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Dixie Inn's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long horizontal flourish extending to the right.

Cook & Morehart
Certified Public Accountants
January 13, 2015

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 345,099	\$ 132,282	\$ 477,381
Investments	63,684		63,684
Receivables	68,134	11,126	79,260
Prepaid Items	25,582		25,582
Restricted assets, cash		15,211	15,211
Capital assets:			
Non - depreciable	14,000	1,045	15,045
Depreciable (net)	78,415	1,272,774	1,351,189
Total Assets	<u>594,914</u>	<u>1,432,438</u>	<u>2,027,352</u>
Liabilities			
Accounts, salaries and other payables	39,775	19,409	59,184
Payable from restricted assets:			
Customer deposits		15,301	15,301
Total liabilities	<u>39,775</u>	<u>34,710</u>	<u>74,485</u>
Net Position			
Net investment in capital assets	92,415	1,273,819	1,366,234
Unrestricted	462,724	123,909	586,633
Total net position	<u>\$ 555,139</u>	<u>\$ 1,397,728</u>	<u>\$ 1,952,867</u>

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Activities
For the Year Ended June 30, 2014

	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities	Total
Functions/Programs:					
Governmental activities:					
General government	\$ 340,825	\$	\$ (340,825)	\$	\$ (340,825)
Public safety	204,560	28,822	(175,738)		(175,738)
Total governmental activities	<u>545,385</u>	<u>28,822</u>	<u>(516,563)</u>		<u>(516,563)</u>
Business-type activities					
Water and Sewer	130,406	98,191		(32,215)	(32,215)
Garbage collection	15,290	13,770		(1,520)	(1,520)
Total business-type activities	<u>145,696</u>	<u>111,961</u>		<u>(33,735)</u>	<u>(33,735)</u>
Total government	<u>\$ 691,081</u>	<u>\$ 140,783</u>	<u>(516,563)</u>	<u>(33,735)</u>	<u>(550,298)</u>
General revenues:					
Sales tax			289,159		289,159
Franchise taxes			12,966		12,966
Licenses and permits			30,579		30,579
Intergovernmental			147,685		147,685
Investment earnings			1,346	11	1,357
Other miscellaneous			2,685		2,685
Total general revenues			<u>484,420</u>	<u>11</u>	<u>484,431</u>
Changes in net position			(32,143)	(33,724)	(65,867)
Net position, beginning			587,282	1,431,452	2,018,734
Net position, ending			<u>\$ 555,139</u>	<u>\$ 1,397,728</u>	<u>\$ 1,952,867</u>

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Balance Sheet
Governmental Fund
June 30, 2014

Assets	<u>General</u>
Cash	\$ 345,099
Investments	63,684
Receivables	<u>68,134</u>
Total Assets	<u>\$ 476,917</u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts, salaries, and other payables	<u>\$ 39,775</u>
Total Liabilities	<u>39,775</u>
 Fund balance:	
Unassigned	<u>437,142</u>
Total Fund Balance	<u>437,142</u>
Total Liabilities and Fund Balances	<u>\$ 476,917</u>

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2014

Fund Balance - Governmental Fund	\$ 437,142
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Amounts reported for government activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	92,415
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The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.	<u>25,582</u>
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Net Position of Governmental Activities	<u><u>\$ 555,139</u></u>
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See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2014

Revenues:	<u>General</u>
Taxes	
Sales tax	\$ 289,159
Franchise tax	12,966
Licenses and permits	30,579
Intergovernmental revenues	
State funds	147,685
Fines and forfeitures	28,822
Investment earnings	1,346
Other revenues	2,685
Total revenues	<u>513,242</u>
 Expenditures:	
Current	
General government	334,359
Public safety	186,478
Capital outlay	<u>27,023</u>
Total expenditures	<u>547,860</u>
 Net change in fund balance	 (34,618)
 Fund balance, beginning of year	 <u>471,760</u>
 Fund balance, end of year	 <u><u>\$ 437,142</u></u>

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in the Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2014

Net change in fund balance - governmental fund	\$ (34,618)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$(27,023) exceeds depreciation \$(25,110) in the current period.	1,913
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>562</u>
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Change in Net Position of Governmental Activities	<u>\$ (32,143)</u>
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See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Net Position
Proprietary Fund
June 30, 2014

	Business-Type Activities
	<u>Enterprise Fund</u>
	<u>Water and Sewer Fund</u>
Assets	
Current assets	
Cash	\$ 132,282
Restricted cash	15,211
Receivables	<u>11,126</u>
Total current assets	<u>158,619</u>
Noncurrent assets	
Capital assets (net accumulated depreciation)	<u>1,273,819</u>
Total noncurrent assets	<u>1,273,819</u>
Total assets	<u>1,432,438</u>
Liabilities	
Current liabilities	
Accounts, salaries and other payables	19,409
Payable from restricted assets:	
Customer deposits	<u>15,301</u>
Total liabilities	<u>34,710</u>
Net position	
Net Investment in capital assets	1,273,819
Unrestricted	<u>123,909</u>
Total net position	<u>\$ 1,397,728</u>

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities <u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
Operating Revenues	
Charges for services	
Water sales	\$ 74,625
Sewer charges	<u>23,566</u>
Total operating revenues	<u>98,191</u>
Operating Expenses	
Chemicals and supplies	14,999
Office expense	3,620
Utilities	15,530
Legal and accounting	2,100
Repair and maintenance	22,592
Depreciation	<u>71,565</u>
Total operating expenses	<u>130,406</u>
Operating income (loss)	<u>(32,215)</u>
Non-Operating Revenues (Expenses)	
Interest income	11
Garbage fees	13,770
Garbage collection fees	<u>(15,290)</u>
Total non-operating revenues (expenses)	<u>(1,509)</u>
Change in net position	(33,724)
Total net position, beginning of year	<u>1,431,452</u>
Total net position, end of year	<u><u>\$ 1,397,728</u></u>

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Business-Type Activities Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 99,147
Payments to suppliers	(56,509)
Net cash provided by operating activities	42,638
Cash Flows from Noncapital Financing Activities	
Other	(1,520)
Net cash (used in) noncapital financing activities	(1,520)
Cash Flows from Investing Activities:	
Interest income	11
Net cash provided by investing activities	11
Net increase in cash	41,129
Cash, beginning of year	106,364
Cash, end of year	\$ 147,493
Cash is reflected on the statement of net position as follows:	
Cash	\$ 132,282
Restricted cash	15,211
Total	\$ 147,493
Reconciliation of Operating Income(loss) to Net Cash Provided (used) by Operating Activities:	
Operating income (loss)	\$ (32,215)
Adjustments to Reconcile Operating Income (loss) to Net Cash Provided (used) by Operating Activities:	
Depreciation expense	71,565
(Increase) decrease in accounts receivable	646
Increase (decrease) in accounts payable	2,332
Increase (decrease) in customer deposits	310
Net cash provided by operating activities	\$ 42,638
Noncash Capital Financing Activities:	
Increase in equipment - capital assets related to accounts payable	\$ 12,000

See accompanying notes to the basic financial statements.

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014

Introduction

The Village of Dixie Inn, Louisiana (The Village) was incorporated August 8, 1962, under the provisions of the Lawrason Act. The Village is located in the Parish of Webster, being in the northwest corner of the State of Louisiana.

Elected officials of the Village of Dixie Inn are a mayor, and three (3) aldermen, who are elected every four years. The affairs of the Village are conducted and managed by the mayor and the board of aldermen.

(1) Summary of Significant Accounting Policies

The Village of Dixie Inn's financial statements are prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Village of Dixie Inn are discussed below.

A. Reporting Entity

As the municipal governing authority, for reporting purposes, the Village of Dixie Inn is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Village of Dixie Inn), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the Village of Dixie Inn are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB established criteria for determining which component units should be considered part of the Village of Dixie Inn for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Village to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Village.
2. Organizations for which the Village does not appoint a voting majority but are fiscally dependent on the Village.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

In addition, the GASB states that a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if *all* of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government.

Based on the criteria described above, there are no component units to be included as part of the reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The Village of Dixie Inn's basic financial statements include both government-wide (reporting the funds maintained by the Village of Dixie Inn as a whole) and fund financial statements (reporting the Village of Dixie Inn's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Village's general fund is classified as governmental activities. The Village's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental activities and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Village of Dixie Inn's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village of Dixie Inn's functions. The functions are also supported by general government revenues (sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations of providing water and sewer services.

The net costs (by function) are normally covered by general revenue (sales and use taxes, certain intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Village of Dixie Inn as an entity and the change in the Village of Dixie Inn's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Village of Dixie Inn are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village of Dixie Inn:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Village of Dixie Inn:
 - a. General fund is the general operating fund of the Village of Dixie Inn. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Proprietary Funds – the focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of fund category) for the determination of major funds.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

The following major funds are presented in the fund financial statements:

General Fund – accounts for all financial resources except those required to be accounted for in another fund.

Utility Fund – accounts for the provision of water and sewer services of the Village.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Cash, Cash Equivalents, and Investments

Cash includes amounts in petty cash, demand deposits, interest bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Village may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by R.S. 33:2955 and the Village's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10–40 years
Land improvements	10–30 years
Infrastructure	25–50 years
Furniture and equipment	5–15 years
Vehicles	5–15 years
Other equipment	5–10 years
Water and sewer systems	5–40 years

GASBS requires the Village to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Village. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is not required.

H. Revenues

Sales tax revenues are recorded in the period in which the underlying exchange has occurred. Fines, forfeitures, licenses, and permits are recognized in the period they are collected. Interest income on demand and time deposits is recorded when earned. Federal and state grants are recorded when the Village is entitled to the funds.

I. Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Village's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Sales Taxes

The Village receives proceeds from a two percent sales and use tax, the revenue from which may be used for any lawful purpose.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

K. Interfund Activity

Interfund activity is reported as either loans, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

L. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

M. Postretirement Benefits

The Village provides no postretirement benefits to its employees.

N. Bad Debts

The Village uses the direct charge-off method of accounting for water and sewer system receivables. Although this method is not in accordance with generally accepted accounting principles, the overall effect on the financial statements is immaterial.

O. Capitalized Interest

The Village capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material.

P. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the Village has no transactions that meet the definition of deferred outflows of resources.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the Village has no transactions that meet the definition of deferred inflows of resources.

R. Fund Balance

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form, such as inventory or prepaid expenses, or (b) legally or contractually required to be maintained intact, such as a trust that must be retained in perpetuity.
2. Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balances include amounts that can be used only for the specific purposes as a result of constraints imposed by the board of alderman (the Village's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of aldermen remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned fund balances are amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expensed by the Mayor, an appointed body or official the Village Alderman has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.
5. Unassigned fund balance are the residual classification for the Village's general fund and include all spendable amounts not contained in the other classifications.

When both restricted and unrestricted fund balances are available for use, it is the Village's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

S. Compensated Absences

The vacation and sick leave policy of the Village provided for the accumulation of leave during the year but does not allow any carryforward of that time.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

(2) Budgets

The Village follows the following budget practices:

- (a) The Village Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- (b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- (c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- (d) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- (e) Budgetary appropriations lapse at the end of each fiscal year.

The budget for the General Fund was adopted on a budgetary basis - Cash for the year ended June 30, 2014. One amendment was made to the original budget and is reflected in the budget comparison schedule.

(3) Cash and Cash Equivalents

At June 30, 2014, the Village of Dixie Inn had cash and cash equivalents (book balances) totaling \$492,592, of which \$15,211 is shown as restricted. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2014, the Village's bank balances totaling \$181,208 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the Village's name	\$ 181,208
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Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

(4) Investments

The investments in U.S. Government Securities are registered in the name of the Village and are held in a brokerage account insured by the SIPC. These investments are considered category A in applying the credit risk of the Governmental Accounting Standards Board (GASB).

The following is a summary of investments as of June 30, 2014:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
Governmental Funds		
US Agency & Treasury Bonds	\$ 60,915	\$ 60,915
US Treasury Money Fund	2,769	2,769
Total investments	<u>\$ 63,684</u>	<u>\$ 63,684</u>

(5) Receivables

Receivables at June 30, 2014 are as follows:

Governmental activities:	
Sales and use taxes	\$ 25,549
Franchise	2,187
Intergovernmental	30,572
Other	9,826
	<u>68,134</u>
Business-type activities:	
Water and sewer charges	11,126
	<u>11,126</u>
	<u>\$ 79,260</u>

(6) Restricted Cash- Customers' Deposits

Deposits held for customers that are currently active on the water system total \$15,211 at June 30, 2014.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

(7) Capital Assets

Capital assets and depreciation activity as of and for the year ended June 30, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 14,000	\$	\$	\$ 14,000
Total capital assets, not being depreciated	14,000			14,000
Capital assets, being depreciated				
Buildings	51,770			51,770
Improvements other than buildings	282,344			282,344
Machinery and equipment	166,036	27,023	(25,455)	167,604
Total capital assets, being depreciated	500,150	27,023	(25,455)	501,718
Less accumulated depreciation for:				
Buildings	(41,209)	(1,496)		(42,705)
Improvements other than buildings	(272,777)	(1,400)		(274,177)
Machinery and equipment	(109,662)	(22,214)	25,455	(106,421)
Total accumulated depreciation	(423,648)	(25,110)	25,455	(423,303)
Total capital assets being depreciated, net	76,502	1,913		78,415
Governmental activities capital assets, net	\$ 90,502	\$ 1,913	\$	\$ 92,415

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 1,045	\$	\$	\$ 1,045
Total capital assets, not being depreciated	<u>1,045</u>			<u>1,045</u>
Capital assets, being depreciated				
Buildings	478,785			478,785
Improvements other than buildings	1,306,975			1,306,975
Machinery and equipment	72,074	12,000		84,074
Total capital assets, being depreciated	<u>1,857,834</u>	<u>12,000</u>		<u>1,869,834</u>
Less accumulated depreciation for:				
Buildings	(137,669)	(11,895)		(149,564)
Improvements other than buildings	(335,732)	(55,826)		(391,558)
Machinery and equipment	(52,094)	(3,844)		(55,938)
Total accumulated depreciation	<u>(525,495)</u>	<u>(71,565)</u>		<u>(597,060)</u>
Total capital assets being depreciated, net	<u>1,332,339</u>	<u>(59,565)</u>		<u>1,272,774</u>
Business-type activities capital assets, net	<u>\$ 1,333,384</u>	<u>\$ (59,565)</u>	<u>\$</u>	<u>\$ 1,273,819</u>

Depreciation expense for the year ended June 30, 2014 was charged as follows:

Governmental activities:

General	\$ 6,747
Public safety	18,363
Total	<u>\$ 25,110</u>

Business-Type activities

Sewer	\$ 35,782
Water	35,783
Total	<u>\$ 71,565</u>

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

(8) Operating Leases

The Village leases equipment under operating leases. The rental costs paid for the year ended June 30, 2014 was \$1,671.

Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 1,052
2016	1,052
2017	1,052
2018	350
	<u>\$ 3,506</u>

(9) New Accounting Standards

Effective July 1, 2013, The Village of Dixie Inn implemented GASB Statement No. 65, *"Items previously reported as assets and liabilities."* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

(10) Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village attempts to minimize risk from significant losses through the purchase of insurance.

(11) Subsequent Events

Subsequent events have been evaluated through January 13, 2015, the date the financial statements were available to be issued.

(12) Accounts, Salaries and Other Payables

Accounts, salaries and other payables at June 30, 2014 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	\$ 33,319	\$ 19,409	\$ 52,728
Salaries and payroll taxes	6,456		6,456
Total	<u>\$ 39,775</u>	<u>\$ 19,409</u>	<u>\$ 59,184</u>

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to the Financial Statements
June 30, 2014
(Continued)

(13) Retirement

Certain police officers are members of the Municipal Police Employees Retirement System. All other municipal employees participate in the Village's Defined Contribution Plan. All employees of the Village of Dixie Inn are covered by the Federal Social Security System. Pertinent information relative to each plan follows:

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description: All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy: Plan members are required by state statute to contribute 10.0 percent of their annual covered salary and the Village of Dixie Inn is required to contribute at an actuarially determined rate. The current rate is 31.0% percent of annual covered payroll. The contribution requirements of plan members and the Village of Dixie Inn are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Village of Dixie Inn contributions to the System for the years ending June 30, 2014, 2013 and 2012, were \$18,681, \$18,391, and \$14,486, respectively, equal to the required contributions for each year.

Defined Contribution Plan

For the year ended June 30, 2014, the Village of Dixie Inn participated in a defined contribution plan, as set forth under section 457(b) of the Internal Revenue Code, for the village clerk and water superintendent. The plan is administered by the Trust Company of Louisiana and the participants may contribute the lesser of \$8,000 or 25% of their yearly compensation. Employer contribution requirements are established and may be amended by the Village. The Village currently contributes 10% of the employee's annual compensation. For the years ended June 30, 2014, 2013, and 2012, employee and employer contributions to the plan were \$13,438, \$10,946, and \$9,524, respectively.

Village of Dixie Inn
Dixie Inn, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Cash Basis) and Actual
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amount	Variance with
	Original	Final	Cash Basis	Final Budget
Revenues				Positive (Negative)
Sales tax	\$ 300,000	\$ 265,000	\$ 286,653	\$ 21,653
Franchise tax	11,500	12,844	12,891	47
Licenses and permits	34,000	31,368	31,662	294
Intergovernmental revenues	160,000	144,881	153,796	8,915
Fines and forfeitures	34,000	28,000	30,062	2,062
Investment earnings	50	100	1,346	1,246
Miscellaneous	1,215	1,709	1,747	38
Total revenues	<u>540,765</u>	<u>483,902</u>	<u>518,157</u>	<u>34,255</u>
Expenditures				
General government	343,700	345,300	336,301	8,999
Public safety	187,600	190,650	185,307	5,343
Capital outlay		27,023	27,023	
Total expenditures	<u>531,300</u>	<u>562,973</u>	<u>548,631</u>	<u>14,342</u>
Excess (deficiency) of revenues over (under) expenditures	9,465	(79,071)	(30,474)	48,597
Fund balance, beginning of year	<u>355,322</u>	<u>422,585</u>	<u>439,257</u>	<u>16,672</u>
Fund balance, end of year	<u>\$ 364,787</u>	<u>\$ 343,514</u>	<u>\$ 408,783</u>	<u>\$ 65,269</u>

Village of Dixie Inn
Dixie Inn, Louisiana
Notes to Required Supplementary Information
June 30, 2014

The Village's budget is adopted on a cash basis for the general fund. There was one amendment to the June 30, 2014 budget. The budget comparison schedule included in the accompanying financial statements includes the original and amended budget. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (30,474)
Adjustments:	
Revenue accruals – net	(4,915)
Expenditure accruals – net	<u>771</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ (34,618)</u>

Village of Dixie Inn
Dixie Inn, Louisiana
Schedule of Compensation Paid Board of Aldermen and Mayor
For the Year Ended June 30, 2014

Mayor:

Ava Nell McWhorter	\$	26,100
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Board Member:

Kay Stratton		4,285
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Pauline Fontenot		4,285
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Joseph Walden		<u>4,285</u>
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Total	\$	<u><u>38,955</u></u>
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COOK & MOREHART

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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditors' Report

Village of Dixie Inn
Dixie Inn, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Village of Dixie Inn, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Dixie Inn's basic financial statements, and have issued our report thereon dated January 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Dixie Inn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Dixie Inn's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Dixie Inn's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of current year audit findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiencies described in the accompanying schedule of current year audit findings as items 2014-1 and 2014-2 to be material weaknesses.

Compliance and Other Matters

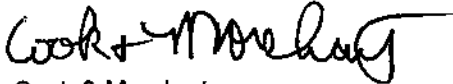
As part of obtaining reasonable assurance about whether Village of Dixie Inn's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Dixie Inn's Response to Findings

Village of Dixie Inn's response to the findings identified in our audit are described in the accompanying schedule of Current Year Audit Findings. Village of Dixie Inn's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart
Certified Public Accountants
January 13, 2015

Village of Dixie Inn
Dixie Inn, Louisiana
Summary Schedule of Prior Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2014

2013-1 – Control of Utility Accounts Receivable and Customer Deposits

Finding: Internal controls should be in place to adequately account for water and sewer accounts receivable and customer deposit collections, including proper segregation of duties.

Recommendation: The Village should have the CPA firm that maintains the general ledger reconcile the water and sewer accounts receivable and customer deposits to the general ledger with reports generated by the billing service that prepares the monthly water and sewer billings. This reconciliation should be done on a monthly basis.

Current Status: See repeat finding in current year audit.

2013-2 – Control over Traffic Tickets

Finding: Internal controls should be in place, including a proper segregation of duties, over the collection and deposit of traffic ticket revenue.

Recommendation: Due to the lack of segregation of duties in regards to collection and deposit of ticket revenue, the Village should consider accepting only money orders/cashier checks for payment of traffic tickets or designate someone other than the Town Clerk to receive and collect payments of traffic tickets.

Current Status: See repeat finding in current year audit.

Village of Dixie Inn
Dixie Inn, Louisiana
Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2014

Current Year Findings

2014—1 Material Weakness – Control of Utility Accounts Receivable and Customer Deposits

Criteria:	Internal controls should be in place to adequately account for water and sewer accounts receivable and customer deposit collections, including proper segregation of duties.
Condition:	The general ledger for the Village is maintained on the cash basis by an outside CPA firm. Accounts receivable and customer deposit balances are adjusted—reconciled only at year end. Also, the Village Clerk is the only employee that collects payments from customers and makes the deposits.
Cause:	The Village has only one employee, the Village Clerk, for the collection of water and sewer payments. Controls have not been implemented over the collection of water and sewer payments to adequately account for the accounts receivable and customer deposits on a monthly basis.
Effect:	Because the Village Clerk is the only employee collecting and making the deposits for water and sewer payments, this causes a lack of segregation of duties. Also, by the CPA firm maintaining the Village's general ledger on the cash basis, controls are not in place to adequately account for the accounts receivable and customer deposits being collected by the Village.
Recommendation:	The Village should have the CPA firm that maintains the general ledger reconcile the water and sewer accounts receivable and customer deposits to the general ledger with reports generated by the billing service that prepares the monthly water and sewer billings. This reconciliation should be done on a monthly basis.
Management Response:	The Village of Dixie Inn is a small village with limited funds. Due to the size of our village and the work load involved it is not feasible to hire more than one employee to run our business office. We have several controls to monitor the village's utility fund business matters. Our billing is done by an outside billing agent. All payments made have to balance with the billing done by the billing agent. Payment stubs are sent to the billing agent and have to match funds received by our municipal clerk. All meter deposits, changes in billing and adjustments that are made within a month are kept in a journal and this journal is sent to the billing agent. A separate deposit is done for all water deposits received and the name, address and amount of deposit is put in the deposit book.

(Continued)

Village of Dixie Inn
Dixie Inn, Louisiana
Schedule of Current Year Audit Findings
For Louisiana Legislative Auditor
June 30, 2014
(Continued)

Deposit books are kept in accordance with our record retention program. We will discuss with the CPA firm that prepares the village's monthly general fund ledger and financial statements, to consider performing a reconciliation of our account receivable subsidiary ledger on a monthly basis. This will assure that all transactions and money amounts are in balance with amounts received by the municipal clerk.

Name of Contact Person: Ava Nell McWhorter, Mayor

2014-2 Material Weakness – Control over Traffic Tickets

Criteria: Internal controls should be in place, including a proper segregation of duties, over the collection and deposit of traffic ticket revenue.

Condition: The Village Clerk is the one individual responsible for collecting and depositing traffic ticket revenue. The Village also accepts cash—currency for payments.

Cause: The Village Clerk is the one individual that is responsible for collecting and depositing traffic ticket revenue.

Effect: Because the Village Clerk is the only employee collecting and depositing traffic ticket revenue, this causes a lack of segregation of duties. Errors or irregularities could occur and not be detected. Controls are not in place to adequately account for all traffic ticket revenue.

Recommendation: Due to the lack of segregation of duties in regards to collection and deposit of ticket revenue, the Village should consider accepting only money orders/cashier checks for payment of traffic tickets or designate someone other than the Town Clerk to receive and collect payments of traffic tickets.

Management Response: Due to the size of the village and the work load involved, it is feasible to have only one office employee. When cash is received, a written receipt is issued. All receipt books are kept in accordance with our record retention program. Cash deposits are recorded in the deposit book and the name and amount of each payment is recorded in these books. The deposit book and the receipt book must match in amounts. The village has implemented a payment program so that when payments are made they can be made through this collection company.

Name of Contact Person: Ava Nell McWhorter, Mayor